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LEAKE COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2010**

**LEAKE COUNTY SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2010**

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LEAKE COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

LEAKE COUNTY SCHOOL DISTRICT

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**INDEPENDENT AUDITOR'S REPORT
ON
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

Superintendent and School Board
Leake County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2010, which collectively comprise the Leake County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Leake County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of the Leake County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

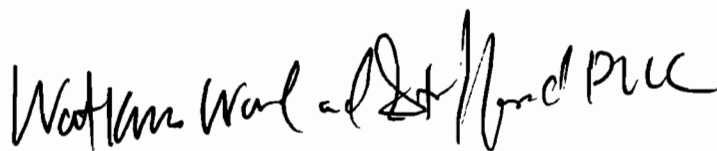
The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leake County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other

Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
November 30, 2011

A handwritten signature in black ink, appearing to read "Watkins Ward and Stafford PLLC", written in a cursive, flowing style.

LEAKE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

LEAKE COUNTY SCHOOL DISTRICT

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**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

The discussion and analysis of Leake County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2010 increased \$ 522,071 including a prior period adjustment of (\$10,992), which represents 3.85% increase from fiscal year 2009. Total net assets for 2009 decreased \$1,456,703, including a prior period adjustment of (\$15,969), which represents a 9.70% decrease from fiscal year 2008.
- General revenues amounted to \$19,566,764 and \$19,415,414 or 75 % and 77 % of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,614,303, or 25% of total revenues for 2010, and \$5,699,585, or 23 % of total revenues for 2009.
- The District had \$25,648,004 and \$26,555,733 in expenses for fiscal years 2010 and 2009; only \$6,614,303 for 2010 and \$5,699,585 for 2009 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$19,566,764 for 2010 were adequate to provide for these programs but general revenues of \$19,415,415 for 2009 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$17,070,936 in revenues and \$17,250,645 in expenditures for 2010, and \$18,559,463 in revenues and \$19,689,114 in expenditures in 2009. The General Fund's fund balance decreased by \$642,743 including prior period adjustment of (\$991) from 2009 to 2010, and decreased by \$1,346,121 including prior period adjustment of (\$13,392) from 2008 to 2009.
- Capital assets, net of accumulated depreciation, decreased by \$315,235 for 2010 and decreased by \$324,483 for 2009. The decrease for 2010 was due to the disposal of capital assets as well as the increase in accumulated depreciation.
- Long-term debt decreased by \$535,000 for 2010 and decreased by \$510,000 for 2009. This decrease was due to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$16,455 for 2010 and decreased by \$50,941 for 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the School District's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's Balance Sheet is reconciled to the Statement of Net Assets, and the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund's Balance Sheet and in the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. Budgetary comparison schedules have been provided for the General Fund and each additional major special revenue fund.

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

Also, included in the other supplemental information section are the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$14,090,893 as of June 30, 2010.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net assets at June 30, 2010 and June 30, 2009.

**Table 1
Condensed Statement of Net Assets**

	June 30, 2010	June 30, 2009	Change
Current Assets	\$ 6,278,173	\$ 5,916,899	6.11 %
Restricted assets	476,125	460,893	3.30 %
Capital assets, net	12,244,897	12,560,132	(2.51) %
Total assets	18,999,195	18,937,924	0.32 %
Current liabilities	179,365	88,710	102.19 %
Long-term debt outstanding	4,728,937	5,280,392	(10.44) %
Total liabilities	4,908,302	5,369,102	(8.58) %
Net assets:			
Invested in capital assets, net of related debt	7,807,624	7,606,950	2.64 %
Restricted	4,387,135	3,439,450	27.55 %
Unrestricted	1,896,134	2,522,422	(24.83) %
Total net assets	\$ 14,090,893	13,568,822	3.85 %

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Decrease in net capital assets in the amount of \$315,235.
- The principal retirement of \$535,000 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$26,181,067 and \$25,114,999, respectively. The total cost of all programs and services was \$25,648,004 for 2010 and \$26,555,733 for 2009. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

**Table 2
Changes in Net Assets**

	Year Ended June 30, 2010	Year Ended June 30, 2009	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 712,243	\$ 641,556	11.02 %
Operating grants and contributions	5,902,060	5,058,029	16.69 %
General revenues:			
Property taxes	3,672,261	3,645,364	0.74 %
Grants and contributions not restricted	15,013,368	15,383,243	(2.40) %
Investment earnings	113,797	147,198	(22.69) %
Sixteenth section sources	724,008	177,671	307.50 %
Other	43,330	61,938	(30.04) %
Total revenues	26,181,067	25,114,999	4.24 %
Expenses:			
Instruction	14,167,932	14,421,641	(1.76) %
Support services	9,322,444	10,072,386	(7.45) %
Non-instructional	1,882,251	1,883,659	(0.07) %
Sixteenth section	65,611	23,532	178.82 %
Interest and other expenses on long-term liabilities	209,766	154,515	35.76 %
Total expenses	25,648,004	26,555,733	(3.42) %
Increase (Decrease) in net assets	533,063	(1,440,734)	(137.00) %
Net Assets, July 1, as originally reported	13,568,822	15,025,525	(9.69) %
Prior Period Adjustment	(10,992)	(15,969)	(31.17) %
Net Assets, July 1, as restated	13,557,830	15,009,556	(9.67) %
Net Assets, June 30	\$ 14,090,893	\$ 13,568,822	3.85 %

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest on long-term debt. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3
Net Cost of Governmental Activities**

	Total Expenses 2010	Total Expenses 2009	Percentage Change
Instruction	\$ 14,167,932	\$ 14,421,641	(1.76) %
Support services	9,322,444	10,072,386	(7.45) %
Non-instructional	1,882,251	1,883,659	(0.07) %
Sixteenth section	65,611	23,532	178.82 %
Interest on long-term liabilities	209,766	154,515	35.76 %
Total expenses	\$ 25,648,004	\$ 26,555,733	(3.42) %

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

	Net (Expense) Revenue		Percentage Change
	2010	2009	
Instruction	\$ (9,849,522)	\$ (10,822,621)	(8.99) %
Support services	(9,211,517)	(9,941,935)	(7.35) %
Non-instructional	200,425	78,260	156.10 %
Sixteenth section	36,679	(15,337)	(339.15) %
Interest on long-term liabilities	(209,766)	(154,515)	35.76 %
Total net (expense) revenue	\$ (19,033,701)	\$ (20,856,148)	(8.74) %

- Net cost of governmental activities (\$19,033,701 for 2010 and \$20,856,148 for 2009) was financed by general revenue, which is primarily made up of property taxes (\$3,672,261 for 2010 and \$3,645,364 for 2009) and state and federal revenues (\$15,013,368 for 2010 and \$15,383,243 for 2009). In addition, there was \$724,008 and \$177,671 in Sixteenth Section sources for 2010 and 2009, respectively.
- Investment earnings amounted to \$113,797 for 2010 and \$147,198 for 2009.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,490,035, an increase of \$295,462, which includes a prior period adjustment of (\$10,992) and an increase in inventory of \$1,152. \$4,783,453 or 74% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$1,706,582 or 26% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$642,743, which includes a prior period adjustment of (\$991). The fund balance of Other Governmental Funds showed an increase in the amount of \$250,051, which includes an increase in reserve for inventory of \$1,152 and a prior period adjustment of (\$1,501), due primarily to revenues exceeding expenditures. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Grants Fund	no increase or decrease
Unemployment Compensation Fund	decrease of \$7,802
Sixteenth Section Interest Fund	increase of \$695,956
School Improvement Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and each major special revenue fund is provided in this report as required supplemental information.

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the District's total capital assets were \$22,077,759, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$167,532 from 2009. Total accumulated depreciation as of June 30, 2010, was \$9,832,862, and total depreciation expense for the year was \$519,472, resulting in total net capital assets of \$12,244,897.

**Table 4
Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Land	\$ 459,075	\$ 459,075	0.00 %
Buildings	10,067,188	10,308,242	(2.34) %
Improvements other than buildings	211,582	193,466	9.36 %
Mobile equipment	1,191,640	1,237,579	(3.71) %
Furniture and equipment	315,412	361,770	(12.81) %
Total	\$ 12,244,897	\$ 12,560,132	(2.51) %

Additional information on the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2010, the District had \$4,728,937 in outstanding long-term debt, of which \$590,000 is due within one year. The liability for compensated absences decreased \$16,455 from the prior year. .

The District maintains an AA bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 435,000	\$ 510,000	(14.71) %
Limited obligation bonds payable	3,565,000	3,850,000	(7.40) %
Other loans payable	590,000	765,000	(22.88) %
Compensated absences payable	138,937	155,392	(10.59) %
Total	\$ 4,728,937	\$ 5,280,392	(10.44) %

Additional information on the District's long-term debt can be found in Note 6 included in this report.

**LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT ISSUES

The Leake County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

Enrollment for the 2009-2010 year increased by 8% to 3,354 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Leake County School District, P.O. Box 478, Carthage, MS 39051.

LEAKE COUNTY SCHOOL DISTRICT

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FINANCIAL STATEMENTS

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LEAKE COUNTY SCHOOL DISTRICT**Exhibit A****Statement of Net Assets****June 30, 2010**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,133,589
Investments	85,718
Due from other governments	860,037
Other receivables, net	1,230
Inventories	44,872
Deferred charges	152,727
Restricted assets	476,125
Capital assets, non-depreciable:	
Land	459,075
Capital assets, net of accumulated depreciation:	
Buildings	10,067,188
Improvements other than buildings	211,582
Mobile equipment	1,191,640
Furniture and equipment	315,412
Total Assets	<u>18,999,195</u>
Liabilities	
Accounts payable and accrued liabilities	111,536
Interest payable on long-term liabilities	67,829
Long-term liabilities, due within one year :	
Capital related liabilities	590,000
Long-term liabilities, due beyond one year :	
Capital related liabilities	4,000,000
Non-capital related liabilities	138,937
Total Liabilities	<u>4,908,302</u>
Net Assets	
Invested in capital assets, net of related debt	7,807,624
Restricted net assets:	
Expendable:	
School-based activities	2,793,254
Debt service	1,032,664
Capital improvements	85,718
Forestry improvements	153,702
Unemployment benefits	47,933
Non-expendable:	
Sixteenth section	273,864
Unrestricted	1,896,134
Total Net Assets	<u>\$ 14,090,893</u>

The notes to the financial statements are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2010

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 14,167,932	251,905	4,066,505		(9,849,522)
Support services	9,322,444		110,927		(9,211,517)
Non-instructional	1,882,251	358,048	1,724,628		200,425
Sixteenth section	65,611	102,290			36,679
Interest on long-term liabilities	209,766				(209,766)
Total Governmental Activities	\$ 25,648,004	712,243	5,902,060		(19,033,701)

General Revenues:

Taxes:		
General purpose levies		3,367,933
Debt purpose levies		304,328
Unrestricted grants and contributions:		
State		13,551,548
Federal		1,461,820
Unrestricted investment earnings		113,797
Sixteenth section sources		724,008
Other		43,330
Total General Revenues		19,566,764
Change in Net Assets		533,063
Net Assets - Beginning, as originally reported		13,568,822
Prior Period Adjustments		(10,992)
Net Assets - Beginning, as restated		13,557,830
Net Assets - Ending		\$ 14,090,893

The notes to the financial statements are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2010

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I Grants to Local Education Agencies Fund	Unemployment Compensation Fund	Sixteenth Section Interest Fund	School Improvement Fund	
Assets						
Cash and cash equivalents	\$ 1,498,031	1	64,715	2,593,117		5,407,453
Investments						287,979
Due from other governments	280,702	51,749			53,224	860,037
Other receivables, net	49			1,143	38	1,230
Due from other funds	310,446		50,000	1,115	9,661	371,222
Inventories					44,872	44,872
Total assets	\$ 2,089,228	51,750	114,715	2,595,375	53,224	6,972,793
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 3,051	115	66,782			69,948
Performance bond payable				41,588		41,588
Due to other funds	51,106	51,635		8,555	53,224	371,222
Total Liabilities	54,157	51,750	66,782	50,143	53,224	482,758
Fund Balances:						
Reserved for:						
Inventory					44,872	44,872
Capital projects					85,718	85,718
Debt service					1,100,493	1,100,493
Unemployment benefits			47,933			47,933
Forestry improvement purposes					153,702	153,702
Permanent fund purposes					273,864	273,864
Unreserved:						
Undesignated, reported in:						
General Fund	2,035,071					2,035,071
Special Revenue Funds				2,545,232	203,150	2,748,382
Total Fund Balances	2,035,071		47,933	2,545,232	1,861,799	6,490,035
Total Liabilities and Fund Balances	\$ 2,089,228	51,750	114,715	2,595,375	53,224	6,972,793

The notes to the financial statements are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT**Exhibit C-1****Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets****June 30, 2010**

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 6,490,035
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$9,832,862.	12,244,897
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(4,728,937)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(67,829)
4. Governmental funds focus on increases and decreases in current financial resources and deferred charges are not current financial resources so are not reflected in the funds.	152,727
Total Net Assets - Governmental Activities	\$ <u>14,090,893</u>

The notes to the financial statements are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I Grants to Local Education Agencies Fund	Unemployment Compensation Fund	Sixteenth Section Interest Fund	School Improvement Fund	Other Governmental Funds
Revenues:						
Local sources	\$ 3,746,269		1,391	73		691,462
State sources	12,970,158					1,185,685
Federal sources	354,509	1,213,613			61,185	5,130,278
Sixteenth section sources				710,581		115,717
Total Revenues	17,070,936	1,213,613	1,391	710,654	61,185	7,123,142
						26,180,921
Expenditures:						
Instruction	10,616,866	632,047			57,031	2,813,935
Support services	6,614,836	509,512	89,193		4,154	1,865,301
Noninstructional services	18,943	57,554				1,795,627
Sixteenth section				8,630		56,981
Debt service:						
Principal						535,000
Interest						195,581
Other						4,573
Total Expenditures	17,250,645	1,199,113	89,193	8,630	61,185	7,266,998
Excess (Deficiency) of Revenues over (under) Expenditures	(179,709)	14,500	(87,802)	702,024		(143,856)
						305,157
Other Financing Sources (Uses):						
Sale of other property	145					145
Operating transfers in	74,579		80,000	2,432		454,335
Operating transfers out	(536,767)	(14,500)				(60,079)
Total Other Financing Sources (Uses)	(462,043)	(14,500)	80,000	2,432		394,256
Net Change in Fund Balances	(641,752)		(7,802)	704,456		250,400
Fund Balances:						
July 1, 2009, as originally reported	2,677,814		55,735	1,849,276		1,611,748
Prior period adjustments	(991)			(8,500)		(1,501)
July 1, 2009, as restated	2,676,823		55,735	1,840,776		1,610,247
Increase in reserve for inventory						1,152
June 30, 2010	\$ 2,035,071		47,933	2,545,232		1,861,799
						6,194,573
						(10,992)
						6,183,581
						1,152
						6,490,035

The notes to the financial statements are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT**Exhibit D-1****Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2010**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 305,302
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$ 205,411 and the depreciation expense amounted to \$519,472.	(314,061)
2. The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets.	535,000
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	9,480
4. The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds but is reported as a reduction of net capital assets on the Statement of Activities, along with any gain or loss.	(1,174)
5. An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but instructional expenses are decreased in the Statement of Activities.	1,152
6. Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	16,455
Amortizaion of deferred charges	(19,091)
Change in Net Assets of Governmental Activities	\$ <u>533,063</u>

The notes to the financial statements are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2010

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 940,468
Other receivables	<u>1,109</u>
Total Assets	<u>\$ 941,577</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 853,168
Due to student clubs	<u>88,409</u>
Total Liabilities	<u>\$ 941,577</u>

The notes to the financial statements are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Leake County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Title I- Grants to Local Educational Agencies Fund- This is a special revenue fund that is used to ensure proper disbursement of, and accounting for, Title I revenues received by the District.

Unemployment Compensation Fund - This is a special revenue fund that is used to ensure proper disbursement of, and accounting for, unemployment revenues received by the District.

Sixteenth Section Interest Fund- This fund accounts for the expendable funds derived from sixteenth section or lieu lands.

School Improvement Fund- This is a special revenue fund that is used to ensure proper disbursement of, and accounting for, revenues received by the District to provide assistance to schools in improvements.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the following:

Payroll Clearing Fund – This is the District's clearing fund used for payments of payroll and benefits.

Club Fund - This is the District's activity fund to record assets and liabilities of the District's various student clubs.

Accounts Payable Clearing Fund – This is the District's clearing fund used to pay claims of the District.

Additionally, the school district reports the following fund types:

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district,

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide, financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following are descriptions of fund reserves used by the district:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which is legally restricted and not available for spending for any purpose other than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which is legally restricted and not available for spending for any purpose other than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvement purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

(2) Cash and Cash Equivalents and Investments

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 5,407,453 and \$940,468, respectively. The bank balance was \$7,930,538.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2010, none of the district's bank balance was exposed to custodial credit risk.

Investments

As of June 30, 2010, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Federated U.S. Treasury Cash Reserve	AAAm	Less than one year	\$ 202,261
U.S. Treasury Securities-DDA	AAA	Daily	85,718
Total			\$ <u>287,979</u>

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2010, the district had the following investments:

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

Issuer	Fair Value	% of Total Investments
Federated U.S. Treasury Cash Reserve	\$ 202,261	70%
U.S. Treasury Securities-DDA	\$ 85,718	30%

(3) Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 51,635
	School Improvement Fund	53,224
	Other Governmental Funds	205,587
Unemployment Compensation Fund	General Fund	50,000
16th Section Interest Fund	Other Governmental Funds	1,115
Other Governmental Funds	General Fund	1,106
	16th Section Interest Fund	8,555
Total		\$ <u>371,222</u>

The purpose of the interfund receivables and payables is to close-out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Unemployment Compensation Fund	\$ 80,000
	16th Section Interest Fund	2,432
	Other Governmental Funds	454,335
Title I	General Fund	14,500
Other Governmental funds	General Fund	60,079
Total		\$ <u>611,346</u>

The purpose of the interfund transfers is to transfer federal program indirect cost to the General Fund and to close-out federal program funds at year end.

(4) Restricted Assets

The restricted assets represent the cash balance, totaling \$ 273,864, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the investment balance, totaling \$202,261, of the MAEP Debt Retirement Fund.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

(5) Capital Assets

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2009	Additions	Retirements	Balance 6/30/2010
<u>Non-depreciable capital assets</u>				
Land	\$ 459,075			459,075
Total non-depreciable capital assets	459,075			459,075
<u>Depreciable capital assets</u>				
Buildings	\$ 16,798,348			16,798,348
Improvements other than buildings	258,533	29,643		288,176
Mobile equipment	3,254,313	113,519		3,367,832
Furniture and equipment	1,139,958	62,249	(37,879)	1,164,328
Total depreciable capital assets	21,451,152	205,411	(37,879)	21,618,684
<u>Less accumulated depreciation for:</u>				
Buildings	6,490,106	241,054		6,731,160
Improvements other than buildings	65,067	11,527		76,594
Mobile equipment	2,016,734	159,458		2,176,192
Furniture and equipment	778,188	107,433	(36,705)	848,916
Total accumulated depreciation	9,350,095	519,472	(36,705)	9,832,862
Total depreciable capital assets, net	12,101,057	(314,061)	(1,174)	11,785,822
Total capital assets, net	\$ 12,560,132	(314,061)	(1,174)	12,244,897

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 170,714
Support services	335,768
Non-instructional	12,990
Total Depreciation Expense	\$ 519,472

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

(6) Long-term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7/1/2009	Additions	Reductions	Balance 6/30/2010	Amounts due within one year
A. General obligation bonds payable	\$ 510,000		75,000	435,000	80,000
B. Limited obligation bonds payable	3,850,000		285,000	3,565,000	335,000
C. Other loans payable	765,000		175,000	590,000	175,000
D. Compensated absences payable	155,392		16,455	138,937	
Total	\$ 5,280,392		551,455	4,728,937	590,000

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds refunding bonds, Series 2001	3-4.6%	9-01-2001	01-15-2015	\$ 1,060,000	435,000
Total				\$ 1,060,000	435,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2011	\$ 80,000	19,298	99,298
2012	85,000	15,858	100,858
2013	85,000	12,160	97,160
2014	90,000	8,420	98,420
2015	95,000	4,370	99,370
Total	\$ 435,000	60,106	495,106

This debt will be retired from the Buildings and Buses Fund.

The general obligation refunding bonds, Series 2001, are secured by an irrevocable pledge of the district's Education Enhancement Funds ("EEF Funds") that are received from the State pursuant to Section 37-61-33 of the Mississippi Code of 1972, as amended, during the years 2001 through 2015.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2010, the amount of outstanding bonded indebtedness was equal to .4% of property assessments as of October 1, 2009.

B. Limited Obligation Bonds Payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds	3.55 - 4.6%	12-01-2006	02-01-2018	\$ 3,850,000	3,565,000
Total				<u>\$ 3,850,000</u>	<u>3,565,000</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2011	\$ 335,000	128,513	463,513
2012	350,000	114,813	464,813
2013	365,000	100,513	465,513
2014	380,000	85,613	465,613
2015	395,000	71,001	466,001
2016-2018	1,740,000	100,661	1,840,661
Total	<u>\$ 3,565,000</u>	<u>601,114</u>	<u>4,166,114</u>

This debt will be retired from the MAEP Debt Service Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

C. Other Loans Payable

The school district has issued debt instruments granted under the authority of Section 37-59-101, Miss. Code Ann. (1972).

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes	Varies	03-01-2002	03-01-2014	\$ 1,500,000	590,000
Total				<u>\$ 1,500,000</u>	<u>590,000</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2011	\$ 175,000	26,340	201,340
2012	145,000	18,727	163,727
2013	145,000	12,275	157,275
2014	125,000	5,750	130,750
Total	<u>\$ 590,000</u>	<u>63,092</u>	<u>653,092</u>

This debt will be retired from the 1998 Note Fund and the 2002 Note Fund.

D. Compensated absences payable

As more fully explained in Note 1(F)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

(7) Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. Copier
2. Neopost digital mailing system

Lease expenditures for the year ended June 30, 2010 amounted to \$2,766.

Future lease payments for these leases are as follows:

2011	\$ 3,615
2012	1,158
2013	<u>868</u>
Total	<u>\$ 5,641</u>

(8) Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2010 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2010, 2009 and 2008 were \$1,765,602, \$1,719,722 and \$1,624,317, respectively, which equaled the required contributions for each year.

(9) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct prior year revenue overstated	\$ (10,992)
Total	\$ <u>(10,992)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	To correct prior year revenue overstated	\$ (991)
Sixteenth Section Interest Fund	To correct prior year revenue overstated	(8,500)
Other governmental funds	To correct prior year revenue overstated	(1,501)
Total		\$ <u>(10,992)</u>

(10) Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

Year Ending June 30		Amount
2011	\$	70,962
2012		66,825
2013		64,929
2014		37,635
2015		36,620
2016 – 2020		182,903
2021 – 2025		182,903
2026 – 2030		134,492
2031 – 2035		85,719
Total	\$	<u>862,988</u>

(11) Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation –The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

(12) Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 63 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

The district has not had an additional assessment for excess losses incurred by the pool.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2010

(13) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Leake County School District evaluated the activity of the district through November 30, 2011 (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

1. On April 7, 2011 the school district issued its \$5,275,000 Limited-Tax Notes, Series 2011.
2. On May 19, 2011 the school district purchased two school buses from Waters Truck and Tractor in the amount of \$152,270.
3. Subsequent to issuance of audit report, discrepancies were discovered in one of the schools general activity funds and were reported to the Office of State Auditor. The Office of State Auditor has seized the books of that school's general activity fund. As of the date of this report, the investigation is still ongoing.

LEAKE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

LEAKE COUNTY SCHOOL DISTRICT

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LEAKE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,538,599	5,175,323	3,746,269	(363,276)	(1,429,054)
State sources	15,576,598	12,999,357	12,970,158	(2,577,241)	(29,199)
Federal sources	377,304	378,237	354,509	933	(23,728)
Total Revenues	21,492,501	18,552,917	17,070,936	(2,939,584)	(1,481,981)
Expenditures:					
Instruction	13,552,238	12,989,134	10,616,866	563,104	2,372,268
Support services	8,465,965	7,563,979	6,614,836	901,986	949,143
Noninstructional services	58,000	42,630	18,943	15,370	23,687
Total Expenditures	22,076,203	20,595,743	17,250,645	1,480,460	3,345,098
Excess (Deficiency) of Revenues over (under) Expenditures	(583,702)	(2,042,826)	(179,709)	(1,459,124)	1,863,117
Other Financing Sources (Uses):					
Insurance loss recoveries	10,000	10,000			(10,000)
Sale of transportation equipment	10,000	10,000			(10,000)
Sale of other property	2,100	2,100	145		(1,955)
Operating transfers in	902,199	2,907,144	74,579	2,004,945	(2,832,565)
Operating transfers out	(889,899)	(2,000,222)	(536,767)	(1,110,323)	1,463,455
Miscellaneous other financing sources	1,000	1,000			(1,000)
Miscellaneous other financing uses	(8,500)			8,500	
Total Other Financing Sources (Uses)	26,900	930,022	(462,043)	903,122	(1,392,065)
Net Change in Fund Balances	(556,802)	(1,112,804)	(641,752)	(556,002)	471,052
Fund Balances:					
July 1, 2009, as originally reported	2,746,571	2,677,814	2,677,814	(68,757)	
Prior period adjustments		(991)	(991)	(991)	
July 1, 2009, as restated	2,746,571	2,676,823	2,676,823	(69,748)	
June 30, 2010	\$ 2,189,769	1,564,019	2,035,071	(625,750)	471,052

The notes to the required supplemental information are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,587,825	1,555,921	1,213,613	(31,904)	(342,308)
Total Revenues	<u>1,587,825</u>	<u>1,555,921</u>	<u>1,213,613</u>	<u>(31,904)</u>	<u>(342,308)</u>
Expenditures:					
Instruction	768,719	744,567	632,047	24,152	112,520
Support services	715,760	705,002	509,512	10,758	195,490
Noninstructional services	86,346	86,352	57,554	(6)	28,798
Total Expenditures	<u>1,570,825</u>	<u>1,535,921</u>	<u>1,199,113</u>	<u>34,904</u>	<u>336,808</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>17,000</u>	<u>20,000</u>	<u>14,500</u>	<u>3,000</u>	<u>(5,500)</u>
Other Financing Sources (Uses):					
Operating transfers out	(17,000)	(20,000)	(14,500)	(3,000)	5,500
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>(20,000)</u>	<u>(14,500)</u>	<u>(3,000)</u>	<u>5,500</u>
Net Change in Fund Balances					
Fund Balances:					
July 1, 2009					
June 30, 2010	<u>\$</u>	<u></u>	<u></u>	<u></u>	<u></u>

The notes to the required supplemental information are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Unemployment Compensation Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,200	2,200	1,391		(809)
Total Revenues	2,200	2,200	1,391		(809)
Expenditures:					
Support services		45,000	89,193	(45,000)	(44,193)
Total Expenditures		45,000	89,193	(45,000)	(44,193)
Excess (Deficiency) of Revenues over (under) Expenditures	2,200	(42,800)	(87,802)	(45,000)	(45,002)
Other Financing Sources (Uses):					
Operating transfers in	5,000	50,000	80,000	45,000	30,000
Total Other Financing Sources (Uses)	5,000	50,000	80,000	45,000	30,000
Net Change in Fund Balances	7,200	7,200	(7,802)		(15,002)
Fund Balances:					
July 1, 2009	54,254	55,735	55,735	1,481	
June 30, 2010	\$ 61,454	62,935	47,933	1,481	(15,002)

The notes to the required supplemental information are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$		73		73
Federal sources	2,382	2,382			(2,382)
Sixteenth section sources	353,500	353,500	710,581		357,081
Total Revenues	<u>355,882</u>	<u>355,882</u>	<u>710,654</u>		<u>354,772</u>
Expenditures:					
Sixteenth section	6,000	6,000	8,630		(2,630)
Total Expenditures	<u>6,000</u>	<u>6,000</u>	<u>8,630</u>		<u>(2,630)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>349,882</u>	<u>349,882</u>	<u>702,024</u>		<u>352,142</u>
Other Financing Sources (Uses):					
Operating transfers in		2,432	2,432	2,432	
Operating transfers out	(200,000)	(1,281,256)		(1,081,256)	1,281,256
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(1,278,824)</u>	<u>2,432</u>	<u>(1,078,824)</u>	<u>1,281,256</u>
Net Change in Fund Balances	<u>149,882</u>	<u>(928,942)</u>	<u>704,456</u>	<u>(1,078,824)</u>	<u>1,633,398</u>
Fund Balances:					
July 1, 2009, as originally reported	1,527,731	1,849,276	1,849,276	321,545	
Prior period adjustments			(8,500)		(8,500)
July 1, 2009, as restated	<u>1,527,731</u>	<u>1,849,276</u>	<u>1,840,776</u>	<u>321,545</u>	<u>(8,500)</u>
June 30, 2010	<u>\$ 1,677,613</u>	<u>920,334</u>	<u>2,545,232</u>	<u>(757,279)</u>	<u>1,624,898</u>

The notes to the required supplemental information are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
School Improvement Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$	127,469	61,185	127,469	(66,284)
Total Revenues		127,469	61,185	127,469	(66,284)
Expenditures:					
Instruction		104,305	57,031	(104,305)	47,274
Support services		23,164	4,154	(23,164)	19,010
Total Expenditures		127,469	61,185	(127,469)	66,284
Excess (Deficiency) of Revenues over (under) Expenditures					
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances					
Fund Balances:					
July 1, 2009					
June 30, 2010	\$				

The notes to the required supplemental information are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Required Supplemental Information For the Year Ended June 30, 2010

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

Unemployment Compensation Fund had a negative variance which was the result of audit adjustment for claims payable.

LEAKE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

LEAKE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 445,599
National school lunch program	10.555	1,199,348
Summer food service program for children	10.559	12,859
Total child nutrition cluster		1,657,806
Total passed-through Mississippi Department of Education		1,657,806
Total U.S. Department of Agriculture		1,657,806
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	267,567
Total Federal Communications Commission		267,567
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	67,475
Safe and drug-free schools and communities- state grants	84.186	4,486
Education technology state grants	84.318	12,374
Gaining early awareness and readiness in undergraduate programs	84.334	17,601
Rural education	84.358	24,369
English language acquisition grants	84.365	35,334
ARRA-state stabilization fund(SFSF) education state grants, recovery act	84.394	1,109,711
School improvement grants	84.377	61,185
Improving teacher quality	84.367	329,358
Subtotal		1,661,893
Title I, part A cluster:		
Title I grants to local educational agencies	84.010	1,213,613
ARRA- Title I grants to local educational agencies, recovery act	84.389	478,045
Total Title I, part A cluster		1,691,658
Special education cluster:		
Special education - grants to states	84.027	611,483
Special education - preschool grants	84.173	34,958
ARRA-special education - grants to states, recovery act	84.391	696,632
ARRA-special education - preschool grants	84.392	291
Total special education cluster		1,343,364
Total passed-through Mississippi Department of Education		4,696,915
Total U.S. Department of Education		4,696,915
Total for All Federal Awards		\$ 6,622,288

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

LEAKE COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures-Governmental Funds
For Year Ended June 30, 2010

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits \$	20,068,122	15,127,555	1,224,948	1,573,798	2,141,821
Other	<u>5,807,642</u>	<u>1,961,901</u>	<u>325,637</u>	<u>228,339</u>	<u>3,291,765</u>
Total	\$ <u>25,875,764</u>	<u>17,089,456</u>	<u>1,550,585</u>	<u>1,802,137</u>	<u>5,433,586</u>
Total number of students*	<u>3,104</u>				
Cost per student \$	<u>8,336</u>	<u>5,506</u>	<u>499</u>	<u>581</u>	<u>1,750</u>

NOTES TO SCHEDULE

1. Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services-School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.

* Total number of students-the ADA report submission for month 9, which is the final submission for the school year.

LEAKE COUNTY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

LEAKE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 3,746,269	3,761,705	4,003,237	3,917,882
State sources	12,970,158	14,478,045	14,682,380	13,478,485
Federal sources	354,509	319,713	364,142	420,982
Total Revenues	<u>17,070,936</u>	<u>18,559,463</u>	<u>19,049,759</u>	<u>17,817,349</u>
Expenditures:				
Instruction	10,616,866	12,355,363	11,456,800	10,506,616
Support services	6,614,836	7,296,978	7,010,742	6,739,421
Noninstructional services	18,943	36,773	53,950	115,933
Total Expenditures	<u>17,250,645</u>	<u>19,689,114</u>	<u>18,521,492</u>	<u>17,361,970</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(179,709)</u>	<u>(1,129,651)</u>	<u>528,267</u>	<u>455,379</u>
Other Financing Sources (Uses):				
Insurance loss recoveries		18,430		55,104
Sale of transportation equipment			5,805	6,381
Sale of other property	145	679	730	732
Operating transfers in	74,579	118,397	292,352	45,577
Other financing sources				695
Operating transfers out	(536,767)	(338,584)	(478,508)	(411,162)
Other financing uses		(2,000)	(5,800)	(5,390)
Total Other Financing Sources (Uses)	<u>(462,043)</u>	<u>(203,078)</u>	<u>(185,421)</u>	<u>(308,063)</u>
Net Change in Fund Balances	<u>(641,752)</u>	<u>(1,332,729)</u>	<u>342,846</u>	<u>147,316</u>
Fund Balances:				
Beginning of period, as originally reported	2,677,814	4,023,935	3,681,089	3,533,120
Prior period adjustments	(991)	(13,392)		653
Beginning of period, as restated	<u>2,676,823</u>	<u>4,010,543</u>	<u>3,681,089</u>	<u>3,533,773</u>
End of Period	<u>\$ 2,035,071</u>	<u>2,677,814</u>	<u>4,023,935</u>	<u>3,681,089</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

LEAKE COUNTY SCHOOL DISTRICT**Statement of Revenues, Expenditures and Changes in Fund Balances****"UNAUDITED"****All Governmental Funds****Last Four Years**

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 4,439,195	4,470,935	4,878,361	4,734,140
State sources	14,155,843	15,891,734	16,007,230	14,850,156
Federal sources	6,759,585	4,549,536	4,442,315	4,649,475
Sixteenth section sources	826,298	183,684	166,155	141,702
Total Revenues	26,180,921	25,095,889	25,494,061	24,375,473
Expenditures:				
Instruction	14,119,879	14,308,575	13,479,855	12,654,797
Support services	9,082,996	9,293,840	8,889,851	8,812,385
Noninstructional services	1,872,124	1,884,118	1,740,672	1,745,901
Sixteenth section	65,611	23,532	28,646	16,590
Facilities acquisition and construction		626,201	79,408	265,891
Debt service:				
Principal	535,000	510,000	520,000	510,000
Interest	195,581	217,253	415,359	315,424
Other	4,573	5,520	4,786	101,563
Total Expenditures	25,875,764	26,869,039	25,158,577	24,422,551
Excess (Deficiency) of Revenues over (under) Expenditures	305,157	(1,773,150)	335,484	(47,078)
Other Financing Sources (Uses):				
Proceeds of refunding bonds				3,850,000
Premium on debt issuance				12,594
Insurance loss recoveries		18,430		55,104
Sale of transportation equipment			5,805	6,381
Sale of other property	145	679	730	732
Operating transfers in	611,346	576,640	785,063	565,358
Other financing sources				695
Operating transfers out	(611,346)	(576,640)	(785,063)	(565,358)
Payments to refunded bond escrow agent				(3,765,681)
Other financing uses		(2,000)	(5,800)	(5,390)
Total Other Financing Sources (Uses)	145	17,109	735	154,435
Net Change in Fund Balances	305,302	(1,756,041)	336,219	107,357
Fund Balances:				
Beginning of period, as originally reported	6,194,573	7,955,992	7,647,701	7,531,910
Prior period adjustments	(10,992)	(15,969)	(19,224)	
Beginning of period, as restated	6,183,581	7,940,023	7,628,477	7,531,910
Increase (Decrease) in reserve for inventory	1,152	10,591	(8,704)	8,434
End of Period	\$ 6,490,035	6,194,573	7,955,992	7,647,701

*SOURCE - PRIOR YEAR AUDIT REPORTS

LEAKE COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

LEAKE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Leake County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Leake County School District as of and for the year ended June 30, 2010, which collectively comprise Leake County School District's basic financial statements and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting (Finding 10-1, 10-2, 10-3, and Finding 10-4). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance or other matters that we reported to management of the school district in a separate letter dated November 30, 2011, which is included in this report.

Leake County School District's responses to the findings identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Leake County School's District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
November 30, 2011

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Superintendent and School Board
Leake County School District

Compliance

We have audited the compliance of the Leake County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Leake County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Leake County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 10-5, 10-6, 10-7, and 10-8.

Internal Control Over Compliance

Management of the Leake County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Leake County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

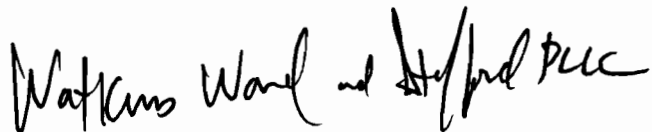
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Finding 10-5, 10-6, 10-7 and Finding 10-8. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Leake County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Leake County School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
November 30, 2011



LEAKE COUNTY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

LEAKE COUNTY SCHOOL DISTRICT

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**

Superintendent and School Board
Leake County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2010, which collectively comprise Leake County School District's basic financial statements and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$17,012 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Proper form should be filed for all retirees

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss Code Ann. (1972), School Districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree.

During our testing of internal controls related to payroll expenditures, we noted five instances where rehires did not have Form 4B's on file, four rehires did not sign the Form 4B's within the five day period.

The retirees' retirement income could be affected by the District not filing PERS Form 4B upon re-employment of PERS service retirees each year. In addition, the Mississippi Public Employees Retirement System may assess a penalty per occurrence payable by the District for not filing PERS Form 4B within five days of re-employment of the service retiree.

Recommendation

We recommend the District implement procedures to ensure that the District files PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" for all retirees rehired by the school district within five days of the employment and within five days of termination.

School District's Response

District will ensure that retired employees receive and complete the necessary forms for MS Public Employees Retirement System. Effective October 2011.

2. Financial Statement of Receipts and Disbursements should be presented to the school board on or before the last working day of the following month covering the prior month

Section 37-9-18, Miss. Code Ann. (1972) states in partThe superintendent of schools shall furnish to the school board a financial statement of receipts and disbursements, by funds, on or before the last working day of the following month covering the prior month.

Our audit test work revealed that there were eleven instances where the financial statement of receipts and disbursements were not presented in a timely manner.

Recommendation

The District should comply with Section 37-9-18, Miss. Code Ann. (1972), and file the financial statements of receipts and disbursements on or before the last working day of the following month covering the prior month.

School District's Response

District will ensure that monthly financial reports are submitted to the Board for approval in a timely manner and in accordance to state code 37-9-18. Effective October 2011.

3. School District should approve final amended budget by October 15

Section 37-61-21(1), Miss. Code Ann. (1972) states in partThe revised portions of the budgets shall be incorporated in the minutes of the school board by spreading them on the minutes or by attaching them as an addendum. Final budget revisions, pertinent to a fiscal year, shall be approved on or before the date set by the State Board of Education for the school district to submit its financial information for that fiscal year.

Recommendation

The District should comply with Section 37-61-21(1), Miss. Code Ann. (1972), and approve the final amended budget by October 15 of the following year.

School District's Response

District will ensure that the final amended budget is submitted to Board for approval by October 15 and in accordance to state code 37-61-21(1). Effective October 2011.

4. School Principals should be bonded in the amount of \$50,000

Section 37-9-31, Miss Code Ann. (1972), provides that all school principals should be bonded in the amount of \$50,000. The principals' bonds were not adequate.

Recommendation

The District should comply with Section 37-9-31, Miss Code Ann. (1972) and ensure that all school principals are bonded adequately.

School District's Response

The District has ensured that the bond company has changed each administrator's bonded amount to be in compliance with state code 37-9-31. Effective June 2011.

5. All employees, their duties, and compensation should be approved by the school board

Section 37-7-301(w), Miss. Code Ann. (1972), provided the school board the authority to employ all non-instructional and noncertified employees and to fix the duties and compensation of such personnel pursuant to the recommendation of the superintendent of the school district.

Section 37-7-301(z), Miss. Code Ann. (1972), authorized the school board to employ and adopt the compensation for substitute teachers.

During our tests of internal controls related to payroll expenditures, we noted the following:

- One employee was paid an additional supplement that was not approved by the board.
- One substitute teacher was not approved by the board.

Recommendation

The school board should approve all employees and include a detailed list of these employees in the board minutes in order to comply with Section 37-7-301(w) and 37-7-301(z), Miss. Code Ann. (1972).

School District's Response

The District will approve all pay of employees and record in the board minutes in order to comply with Section 37-7-301(w) and 37-7-301(z), Miss. Code Ann. (1972).

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Leake County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
November 30, 2011

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LEAKE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LEAKE COUNTY SCHOOL DISTRICT

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LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Noncompliance material to financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? | Yes |

Federal Awards:

- | | | |
|----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Special Education Cluster
CFDA #84.027
CFDA #84.173
CFDA #84.391
CFDA #84.392 | |
| b. | Title I Cluster
CFDA #84.010
CFDA #84.389 | |
| c. | ARRA- State Fiscal Stabilization Fund (SFSF) Education State Grants,
Recovery Act CFDA #84.394 | |
| d. | Improving Teacher Quality
CFDA #84.367 | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section II: Financial Statement Findings

Immaterial Noncompliance and Significant Deficiencies not Considered to be Material Weaknesses

10-1 Payroll expenditures should be supported by adequate documentation

During our test of internal controls related to payroll expenditures we noted that the District allowed employees to treat overtime hours as comp time with no definite carryover timeframe. This could result in employees being improperly compensated.

Recommendation

Employees should be paid based on hours worked times pay rate and federal wage and hour regulations should be enforced.

10-2 Internal Controls over General Expenditures Should Be Strengthened

During our testing of general expenditures, we noted the following:

- Four out of seventy-five expenditures were not signed by a district employee to indicate the receipt of goods or approval for payment.
- Three out of the three travel reimbursement forms tested did not have proper approval by an administrator.

Recommendation

We recommend the school district implement procedures to contain proper documentation to ensure that all expenditures are properly handled and approved.

10-3 Exempt employees should not be paid overtime

During testing of payroll expenditures, it was noted that an exempt employee was being paid overtime. The Department of Labor does not permit overtime to be paid to exempt employees.

Recommendation

The school district should take steps to ensure compliance with the Fair Labor Standards Act. Exempt employees should be paid supplements that are board approved and included in board minutes rather than paid overtime for additional hours worked.

10-4 Activity Fund Internal Control

During testing of activity fund revenue, it was noted that the activity fund school event forms for one school were not approved by the school principal. These forms also lacked adequate documentation to support revenue reported on the event forms.

Recommendation

All school event forms surrounding activity funds should contain adequate documentation to support transactions recorded on the forms and should be approved by the principal.

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section III: Federal Award Findings and Questioned Costs

Immaterial Noncompliance and Significant Deficiencies not Considered to be Material Weaknesses

10-5 Finding

Internal Control Procedures Surrounding Special Education Allowable Cost/Cost Principles Should be Strengthened

Program: Special Education Cluster CFDA #84.027, 84.173, 84.391, 84.392

Questioned Costs: \$1,313

Management is responsible for complying with the requirements that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles. The applicable cost principles, set forth in 2CFR Part 225 (OMB Circular A-87), require that indirect costs be transferred on or after expenditures have been incurred.

During our test of Special Education Cluster allocations, we noted that indirect cost was transferred for the total amount of revenue instead of the expenditures incurred causing the district to claim \$1,313 in excess of the allowable amount for indirect cost.

Improper internal controls resulted in the district not allocating indirect cost accurately.

Requiring more than one staff member to review the indirect cost allocation reduces the risk of fraud and errors occurring and not being detected within a timely period. Improper internal controls concerning Special Education cluster allocations could result in repayment of questioned costs to the Mississippi Department of Education.

Recommendation

The district should comply with the requirements of the Federal award by implementing stronger internal controls to ensure that all indirect costs are accurately calculated in proportion to the expenditures incurred.

10-6 Internal Control Procedures over Suspension and Debarment

Programs: Special Education Cluster CFDA #84.027, 84.173, 84.391, 84.392
Title I Clusters CFDA #84.010, 84.389

During testwork the auditor noted that the district did not have a process in place to confirm that vendors were not suspended or debarred. Expenditures to noncompliant vendors could cause the district to have questioned costs associated with the items purchased. Inadequate controls within the purchasing process could allow the district to spend funds with noncompliant vendors.

Recommendation

The District should implement and enforce a process to confirm that vendors are not on the suspension and debarment listing.

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

10-7 Internal Controls Surrounding Approval of Federal Expenditures Should be Strengthened

Programs: Title I Clusters CFDA #84.010, 84.389
Improving Teacher Quality State Grants CFDA #84.367
Special Education Cluster CFDA #84.027, 84.173, 84.391, 84.392

During our test of general expenditures, we noted that six out of fifty-three invoices tested did not have proper approval by the federal program director. Lack of adequate internal controls could result in expenditures being made that were not allowable.

Recommendation

The federal programs director must approve all expenditures to ensure that all expenditures are allowable, necessary, and reasonable.

10-8 ARRA Reports Should Agree with Financial Records

Programs: Title I Clusters CFDA #84.010, 84.389
Special Education Cluster CFDA #84.027, 84.173, 84.391, 84.392

In accordance with Section 1512 of ARRA, all transactions reported on quarterly reports must agree with the underlying financial records of the school district. Inadequate controls within the reporting process could allow the district to produce inaccurate reports.

Recommendation

The district should comply with section 1512 of ARRA and ensure that ARRA quarterly reports agree to the district's underlying financial records.

LEAKE COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

LEAKE COUNTY SCHOOL DISTRICT

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Leake County
Department of Education

*The mission of the Leake County School District is
to provide a high quality education that will increase the learning of all students.*

Post Office Drawer 478

Carthage, Mississippi 39051

www.leakesd.k12.ms.us

Phone: (601) 267-4579 Fax: (601) 267-5283

As required by Section _____.315 (c) of OMB Circular A-133, the Leake County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2010:

Finding	Corrective Action Plan Details
10-1	<ul style="list-style-type: none">a. Deneshia Harlson Business Manager 601-267-4579b. District has implemented a process in which all accumulated time should be depleted by the end of the month/pay period. Forms have been prescribed for each office to track accumulated time on a weekly or monthly basis. If hours accumulated at the end of the month/pay period are not used then the time is submitted to the School Board for payment to the employeec. This will be effective April 2011.
10-2	<ul style="list-style-type: none">a. Deneshia Harlson Business Manager 601-267-4579b. All expenditure invoices paid shall contain documentation that indicates the receipt of goods and approval for payment. Accounts Payable Officer will ensure that paperwork is properly document prior to payment. Also, all travel reimbursements shall be approved by Supervisor prior to payment being made.c. This will be effective July 2011.
10-3	<ul style="list-style-type: none">a. Deneshia Harlson Business Manager 601-267-4579b. District shall not compensate exempt employees for accumulated time over the normal forty hours work per week.c. This will be effective July 2011.

Leake County
Department of Education

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- 10-4
- a. Deneshia Harlson
Business Manager
601-267-4579
 - b. District has implemented an Activity Fund Accounting Manual for each school to use as guidelines. Schools have been informed to submit in their monthly transmittals original documentation and all supporting documentation for events, fund raisers and etc.
 - c. This will be effective July 2011.
- 10-5
- a. Deneshia Harlson
Business Manager
601-267-4579
 - b. The district will ensure that indirect cost will be transferred using the calculated allowable cost instead of what is budgeted.
 - c. This will be effective July 2011.
- 10-6
- a. Deneshia Harlson
Business Manager
601-267-4579
 - b. The district has implemented a process to confirm whether vendors are on the suspension and debarment listing. Documentation will be maintained in each Federal Programs Office.
 - c. This will be effective August 2011.
- 10-7
- a. Deneshia Harlson
Business Manager
601-267-4579
 - b. Federal Program Director shall ensure that all federal expenditures are checked for accuracy and signed prior to submittal for payment.
 - c. This will be effective July 2011.

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10-8

- a. Deneshia Harlson
Business Manager
601-267-4579
- b. District will comply with section 1512 of ARRA and ensure that quarterly reports agree to the amount of funds drawn down during the quarter.
- c. This will be effective July 2011.